



**CHARTER REVIEW SUB-COMMITTEE OF THE CITY OF SAN DIEGO  
FINANCIAL REFORM SUB-COMMITTEE  
CHAIR- DONNA JONES**

**MINUTES FOR  
FRIDAY, SEPTEMBER 7, 2007, AT 9:00 A.M.**

**COUNCIL COMMITTEE ROOM (12<sup>TH</sup> FLOOR),  
CITY ADMINISTRATION BUILDING  
202 C STREET, SAN DIEGO, CALIFORNIA**

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9:05 Call to Order. Roll Call.

Committee Members:

Donna Jones, Chair	Present
John Gordon	Present
Vincent Mudd	Present
Lei-Chala Wilson	Present
James Milliken	Excused

Staff in Attendance:

Andrea Tevlin, Independent Budget Analyst  
James Ingram, Committee Consultant  
Lisa Briggs, Office of the Mayor  
Jeff Kavar, Office of the Independent Budget Analyst  
Brant C. Will, City Attorney's Office

Guests

Christopher Waddell, General Counsel, SDCERs  
Doug McCalla, CIO, SDCERs

NON-AGENDA PUBLIC COMMENT

None

SUB-COMMITTEE COMMENT

None

CITY ATTORNEY, COUNCIL INDEPENDENT BUDGET ANALYST COMMENT.

Lisa Briggs updated the subcommittee on the revised work plan. That plan is attached to these minutes.

ITEM – 2: Action Item-Further discussion of Kroll recommendation relating to changing the composition of the SDCERS Board and forward recommendations to full Committee

Mr. Chris Waddell, General Counsel for SDCERS and Mr. Doug McCalla, CIO for SDCERS addressed the subcommittee. A copy of the Power Point as well as information on investment performance and “Testimony to the Public Employee Post Employment Benefits Commission which were referenced during the presentation are attached to these minutes. Mr. McCalla responded to questions asked by the subcommittee at previous meetings relating to SDCERS performance overall and the issue of moving the system into CalPERS. Overall, the MR. McCalla noted that SDCERS’ performance was healthy when compared to CalPERS. He pointed out that CalPERS has a much more aggressive investment strategy that SDCERS. He acknowledged that the Charter does allow for such a move, but this decision should be balanced against the policy concerns of direct customer service and loss of “home rule”. In addition, both the current assets and liabilities would follow the City into CalPERS.

Mr. Waddell then addressed several questions regarding the make up of the current SDCERS Board. Overall, he has been extremely impressed with the construct of the current Board. Key have been the combination of “rigorous” qualifications as well as the level of independence imposed by the Charter change approved by the voters in 2004. While Mr. Waddell conceded that there is no magic bullet or perfect construct, the current configuration is working. When asked directly whether the current composition of the Board would have avoided the problems outlined in the Kroll report, Mr. Waddell noted that it would have been much for difficult for an MPI or MPIO type proposal to pass a Board composed as the SDCERS Board is currently. Unlike the previous composition, the make up resulting from the 2004 change promotes an environment where Board members can voice concerns and exercise independence. Mr. Waddell also noted, as a practical matter, the number of members proposed by Kroll would be difficult to manage. Specifically, the number is too small to support any meaningful subcommittee structure(s).

Their presentation concluded at 9:45.

With this presentation, as well as the other information presented at prior meetings, the consensus of the subcommittee was that there was little justification to change the composition of the SDCERS Board enacted in 2004 at this time. In addition, there was concern that, with the number of issues that needed to be addressed from a financial reform perspective, the issue of moving to CalPERS may be beyond the scope and capabilities of the current Charter Committee. Other issues, such as investment policy, may also not be able to be fully addressed given the timeline. With that, Chairwoman Jones moved and Mr. Mudd seconded the following motion:

Subcommittee recommends that the current composition of the SDCERS Board be retained and that the questions of joining CalPERS and addressing the issue of an investment policy in the Charter be considered by a later Charter Committee.

Passed unanimously.

ITEM – 1:      Action Item-Further discussion of creation of Balanced Budget Requirement and forward recommendations to full Committee

Staff prepared a grid that reflected the language from staff, James Ingram and recommendations from the subcommittee and IBA. That is attached to these minutes. There was consensus on the need to require the City Council to balance the budget if it determines that recommendations from management to balance the budget are not acceptable to the City Council. This needs to take place in an appropriate amount of time. The subcommittee voiced concerns with unintended consequences resulting from the proposed language. Staff was directed to work with Jay Goldstone and Greg Levin to review the language. The subcommittee also requested that these gentlemen be present at the next meeting.

It was confirmed that the next subcommittee meeting will be at 8 am on Friday, September 21, 2007.

ITEM – 3:      Action Item-Approve the Minutes from August 31, 2007 Financial Reform Subcommittee Meeting

Motion by Mr. Mudd, second by Mr. Gordon to approve the Minutes from August 31, 2006.

Passed unanimously.

10:10            Adjourn